

Message Text

CONFIDENTIAL POSS DUPE

PAGE 01 ISLAMA 10343 080355Z

13-12

ACTION SS-15

INFO OCT-01 NEA-10 ISO-00 MC-02 AID-05 ACDA-05 CIAE-00

DODE-00 PM-04 H-02 INR-07 L-03 NSAE-00 NSC-05 PA-01

PRS-01 SP-02 USIA-06 EB-07 NRC-05 TRSE-00 ERDA-05

COME-00 /086 W

----- 057110

R 071051Z NOV 75

FM AMEMBASSY ISLAMABAD

TO SECSTATE WASHDC 2748

C O N F I D E N T I A L ISLAMABAD 10343

E.O. 11652: GDS

TAGS: MASS, PK

SUBJ: MUNITIONS CONTROL AND AGENTS' FEES

REF: STATE 255260

1. SUMMARY. THE GOP WILL NOT ACCEPT MILITARY SALES OFFERS IN WHICH AGENT'S FEES ARE SPECIFIED BUT UNOFFICIALLY IS AWARE OF ANKXGLOSES ITS EYES TO FACT THAT THESE FEES ARE ORDINARILY INCLUDED AND HIDDEN IN SALES PRICES. AS AGENTS ARE A PRACTICAL NECESSITY IN PAKISTAN, THE POLICY PROPOSALS OUTLINED IN REFTEL WOULD PLACE U.S. FIRMS AT A COMPETITIVE DISADVANTAGE. THE EMBASSY URGES THAT IF REGULATIONS FORCING DISCLOSURE OF AGENTS' FEES TO THE USG ARE ADOPTED THAT THIS INFO ONLY BE MADE AVAILABLE TO FOREIGN GOVERNMENTS UPON REQUEST. IN THE CASE OF PAKISTAN, WE DOUBT GOP WOULD REQUEST ANY DISCLOSURE. END SUMMARY.

2. GOP POLICY IS THAT AGENTS' FEES ARE NOT ACCEPTABLE IN MILITARY SALES, AND THE GOP RECENTLY REJECTED AN FMS OFFER IN WHICH AN AGENT'S FEE WAS SPECIFIED. HOWEVER, KNOWLEDGEABLE GOP PROCUREMENT OFFICIALS KNOW THAT AGENTS' FEES ARE HIDDEN IN THE COST OF ITEMS PURCHASED. FURTHER-
MORE, A PAKISTANI AGENT IS, IN PRACTICAL TERMS, A NECESSITY
CONFIDENTIAL
CONFIDENTIAL

PAGE 02 ISLAMA 10343 080355Z

IN COMMERCIAL NEGOTIATIONS IN PAKISTAN. THE PROPORTION OF THESE AGENTS IN THE MILITARY EQUIPMENT AREA WHO ARE

RETURNED MILITARY PERSONNEL IS VERY HIGH AND THEY SERVE A VERY USEFUL ROLE IN GAINING RAPID ACCESS FOR THEIR FOREIGN PRINCIPALS TO THE PROPER GOP OFFICE. WHILE GOP OFFICIALS WILL USUALLY INSIST ON MEETING FOREIGN SUPPLIERS FACE-TO-FACE WITHOUT LOCAL AGENTS BEING PRESENT, MANY OF THESE MEETINGS WOULD NOT TAKE PLACE OR TAKE LONGER TO ARRANGE WERE IT NOT FOR THE LOCAL AGENT. ALSO, MANY OF THESE AGENTS THROUGH THEIR PERSONAL CONTACTS ARE ABLE TO KEEP ABREAST OF GOP THINKING AND NOTIFY THEIR FOREIGN PRINCIPALS WHEN VISITS WOULD BE TIMELY.

3. WE FEW THAT ANY US SYSTEM DESIGNED TO MEET CONGRESSIONAL CONCERNS OVER DIVULGENCE OF AGENTS' FEES COULD CAUSE DIFFICULTY IN PAKISTAN BETWEEN US SUPPLIERS AND THEIR AGENTS AND PUT US FIRMS AT A DISADVANTAGE AGAINST FOREIGN FIRMS. IF WE INSIST UPON DIVULGENCE OF AGENTS' FEES TO FOREIGN GOVERNMENTS, US FIRMS MAY BE FORCED TO DEVELOP A DUAL STRUCTURE INCORPORATING COMMISSIONS ON ORDINARY SALES AND FLAT FEES OR OTHER COMPENSATION FOR MILITARY SALES. MOST PAYMENT SCHEMES OF THE LATTER TYPE WOULD REDUCE THE AGENTS' INCENTIVE TO INCREASE SALES OF US PRODUCTS. ONE BENEFIT OF EXISTING FMS DISCLOSURE POLICY IS THAT IT PROVIDES AN INCENTIVE TO DIRECT SALES OF MILITARY TYPE PRODUCTS THROUGH COMMERCIAL CHANNELS. THIS BENEFIT WOULD BE LOST IF DISCLOSURE IS REQUIRED IN ALL CASES OF US EXPORT LICENSING.

4. EMBASSY URGES THAT IF SOME SORT OF LAW OR REGULATION FORCING DISCLOSURE OF AGENTS' FEES TO USG IS ADOPTED, IT PROVIDE AT MOST THAT THIS INFO CAN ONLY BE DIVULGED TO FOREIGN GOVERNMENTS UPON LATTER'S SPECIFIC REQUEST. UNDER THE SITUATION PREVAILING IN PAKISTAN, WE DOUBT GOP WOULD EVER MAKE SUCH A REQUEST. WE WOULD ALSO HOPE ANY AGENT FEE DISCLOSURE SYSTEM WOULD NOT MAKE THE FEE INFORMATION PUBLICLY AVAILABLE IN THE US SO FOREIGN COMPETITORS COULD PICK IT UP AND PROFIT FROM IT.
BYROADE

CONFIDENTIAL

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: POLICIES, MUNITIONS CONTROLS, ARMS SALES, ROYALTIES
Control Number: n/a
Copy: SINGLE
Draft Date: 07 NOV 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: buchant0
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975ISLAMA10343
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D750389-0194
From: ISLAMABAD
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19751164/aaaacfkyltel
Line Count: 97
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION SS
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 75 STATE 255260
Review Action: RELEASED, APPROVED
Review Authority: buchant0
Review Comment: n/a
Review Content Flags:
Review Date: 19 AUG 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <19 AUG 2003 by BoyleJA>; APPROVED <03 DEC 2003 by buchant0>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
06 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: MUNITIONS CONTROL AND AGENTS' FEES
TAGS: MASS, PK
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006